

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08

EA-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06

OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00

OMB-01 XMB-02 STR-04 ITC-01 /091 W

-----260808Z 123173 /12

R 251510Z MAR 77

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 0146

INFO USMISSION OECD PARIS

AMEMBASSY ATHENS

AMEMBASSY ANKARA

AMEMBASSY BELGRADE

AMEMBASSY BERN

AMEMBASSY BONN

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E.O. 11652: N/A

TAGS: ECON, OECD, SW

SUBJECT: OECD SECRETARY GENERAL COMMENTS ON SWEDEN'S BORROWING

BEGIN UNCLASSIFIED

1. INTERVIEWED BY THE LEADING CONSERVATIVE NEWSPAPER SVENSKA DAGBLADET, OECD SECRETARY GENERAL EMILE VAN LENNEP, WHO IS SCHEDULED TO VISIT STOCKHOLM ON MARCH 27-29, EXPRESSED THE VIEW THAT SWEDEN SHOULD NOT BORROW TOO MUCH ABROAD. HE SAID THE OECD MEMBER COUNTRIES CANNOT AVOID RUNNING SOME DEFICIT IN THEIR PAYMENTS BALANCES BUT SWEDEN, IN HIS OPINION, HAS EXCEEDED THE LIMIT.

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2. ON THE SUBJECT OF SWEDEN'S LARGE BORROWINGS ABROAD, VAN LENNEP CONCEDED THAT THE OECD AREA AS A WHOLE IS FORCED TO BORROW MONEY ABROAD IN ORDER TO COPE WITH THE DEFICITS IN PAYMENTS BALANCES. HE ATTRIBUTED SUCH DEFICITS TO THE FACT THAT THE OIL-PRODUCING NATIONS ARE NOT IN A POSITION TO UTILIZE THEIR LARGE EXPORT REVENUES FOR THE

PURPOSE OF EXPANDING THEIR IMPORT TRADE. THERE ARE NO TECHNICAL DIFFICULTIES IN THE WAY OF FINANCING A PAYMENTS BALANCE DEFICIT, SAID VAN LENNEP, BUT THE POLITICIANS SHOULD REALIZE THAT A NATION CANNOT INCUR TOO LARGE A FOREIGN DEBT. IN HIS OPINION, SWEDEN IS BORROWING TOO MUCH ABROAD.

3. AS FOR THE OUTLOOK FOR OECD, VAN LENNEP SAID HE WAS OPTIMISTIC. THE OECD ECONOMIC REPORT PUBLISHED LAST DECEMBER FORECAST AN OVERALL ECONOMIC GROWTH RATE OF 3.75 PERCENT FOR 1977. SEVERAL EVENTS HAVE SINCE OCCURRED WHICH HAVE CHANGED THE SITUATION, VAN LENNEP SAID. ABOVE ALL, VARIOUS MEASURES TAKEN BY THE US HAVE HAD A FAVORABLE IMPACT ON THE ENTIRE OECD AREA. HE REFERRED PARTICULARLY TO THE TWO-YEAR STIMULATIVE PACKAGE COSTING \$30 BILLION INTRODUCED BY THE CARTER ADMINISTRATION. VARIOUS MEASURES TAKEN BY WEST GERMANY AND JAPAN HAVE ALSO HAD A FAVORABLE EFFECT.

4. AS A RESULT OF THESE MEASURES, WE ARE LOOKING TOWARD THE FUTURE WITH GREATER CONFIDENCE. WE NOW ESTIMATE THE ECONOMIC GROWTH RATE FOR THE OECD AT 4.5 PERCENT FOR THE SECOND HALF OF 1977, OR 4 PERCENT FOR THE FULL 1977 CALENDAR YEAR, VAN LENNEP SAID.

5. MR. VAN LENNEP, NONETHELESS, WAS NOT COMPLETELY SATISFIED WITH THE PREVAILING SITUATION. A HIGH RATE OF UNEMPLOYMENT PERSISTS IN EUROPE, AND PAYMENTS BALANCE DEFICITS REMAIN UNFAVORABLE. MOREOVER, THERE LIMITED OFFICIAL USE

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ARE STILL GREAT DIFFERENCES IN THE RATES OF INFLATION AMONG OECD MEMBER COUNTRIES.

6. THE PROBLEMS WHICH THE INDUSTRIALIZED COUNTRIES HAVE HAD TO FACE IN RECENT YEARS ARE OF A KIND DEMANDING JOINT EFFORTS AND SOLUTIONS. THE ENERGY PROBLEM, FOR EXAMPLE, RESULTED IN THE SETTING UP OF THE IEA. OTHER PROBLEMS REQUIRING JOINT EFFORTS TO SOLVE INCLUDE THOSE CONNECTED WITH PAYMENTS BALANCES, INFLATION, AND THE ECONOMIC SLOWDOWN, SAID VAN LENNEP.

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7. TRADE COMPRISES ANOTHER AREA REQUIRING JOINT EFFORTS AND RESPONSIBILITY. IN THAT SPHERE, THE OECD MEMBER STATES HAVE, IN THE TRADE PLEDGE, MADE A COMMITMENT THAT THEY WILL NOT RESORT TO PROTECTIONIST MEASURES FOR PURPOSES OF IMPROVING THEIR PAYMENTS BALANCES. ASKED WHETHER THE TRADE PLEDGE WILL BE RENEWED, VAN LENNEP REPLIED THE MATTER IS TO BE DISCUSSED AT THE NEXT MINISTERIAL MEETING. HE STRESSED, HOWEVER, THAT ALL THE MEMBER COUNTRIES ARE IN AGREEMENT THAT SUCH A DECLARATION IS NECESSARY TO PREVENT TRADE PROTECTIONIST MOVES ON THE PART OF MEMBERS.

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8. VAN LENNEP IS COMING TO SWEDEN ON THE INVITATION OF THE SWEDISH GOVERNMENT AND THE SWEDISH NATIONAL COMMITTEE OF THE INTERNATIONAL CHAMBER OF COMMERCE. BESIDES THE KING AND PRIME MINISTER THORBJORN FALLDIN, VAN LENNEP WILL ALSO BE SEEING FOREIGN MINISTER KARIN SODER, COMMERCE MINISTER STAFFAN BURENSTAM LINDER, MINISTER FOR ECONOMIC AFFAIRS GOSTA BOHMAN, AND FOREIGN AID MINISTER OLA ULLSTEN. LENNEP WILL ALSO TALK WITH

SWEDISH INDUSTRY REPRESENTATIVES.

9. AT THE END OF HIS INTERVIEW, VAN LENNEP PRAISED THE SWEDISH GOVERNMENT FOR ITS GENEROUS CONTRIBUTIONS TO INTERNATIONAL COOPERATION AND FOR ITS ACTIVE PARTICIPATION WITHIN THE OECD IN THE AREAS OF FOREIGN AID, LABOR, INDUSTRY AND EDUCATION. HE CONCLUDED BY CALLING SWEDEN'S PARTICIPATION IN OECD BOTH CONSTRUCTIVE AND PRODUCTIVE. END UNCLASSIFIED.

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10. COMMENT: VAN LENNEP'S REMARKS ABOUT SWEDEN'S LEVEL OF FOREIGN BORROWING WERE ILL-RECEIVED BY SWEDISH OFFICIALS APPROACHED BY THE EMBASSY. THE SWEDISH OECD MISSION HAS BEEN INSTRUCTED TO PROTEST. THE PRESS CONFERENCE WHICH THE OECD SECRETARY GENERAL WILL HOLD IN STOCKHOLM WILL BE AN OCCASION FOR CORRECTIVE OR INTERPRETATIVE COMMENT BY HIM ON THIS SUBJECT, OFFICIALS HOPE.

1. AS THE EMBASSY HAS REPORTED ELSEWHERE, THE BILLION DOLLAR LOAN WHICH THE GOS OBTAINED IN FEBRUARY WAS THE FIRST BUT NOT THE LAST OFFICIAL BORROWING PLANNED FOR 1977. VAN LENNEP'S REMARKS HAVE PROBABLY COME TO THE ATTENTION OF THE LENDING COMMUNITY JUST AS THEY HAVE FALLEN, UNWELCOME, ON SWEDISH OFFICIALDOM.

12. SENSITIZING THE ISSUE WAS ANOTHER PRESS STORY
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WHICH WAS INACCURATELY HEADLINED THAT SWEDEN MIGHT SEEK "BILLIONS" OF DOLLARS FROM THE IMF. RIKSBANK OFFICIALS TERM THE STORY RIDICULOUS.

13. LAST, WE NOTE THAT VAN LENNEP'S REMARKS ON SWEDISH BORROWING ARE AT ODDS WITH THE OECD'S OWN ANALYSIS AS EXPRESSED AT THE RECENT EDRC REVIEW (USOECN 8650). END LIMITED OFFICIAL USE.
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